



# Comparison of Actual CSR Spending and Prescribed CSR Spending

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## Abstract

CSR is the means by which business contributes to that stability rather than detracting from it. By establishing and maintaining a corporate agenda which recognizes social priorities and is tailored to meet them, business displays its human face to consumers, communities and opinion leaders. Training, the transfer of skills and expertise, new technological solutions, contracting of services, helpful infrastructure development, as well as community social and health programs and a clear commitment to human rights can all demonstrate the will to be a good local citizen and to help create sustainable livelihoods. For any company, giving a high priority to CSR is no longer seen to represent an unproductive cost or resource burden, but, increasingly, as a means of enhancing reputation and credibility among stakeholders – something on which success or even survival may depend. The purpose of the study is to appraise the policies of corporate social responsibility and its implication in India. Companies from India were considered to provide substantial data. For the financial years 2012-2017, the Corporate Social Responsibility of companies were considered for the pre and post-effect of Companies Act 2013, the Corporate Social Responsibility of 75 companies was considered. Purposive sampling was undertaken for the research study

**Key words:** CSR, Corporate social responsibility, Companies Act 2013

## Introduction

The corporate sector across the globe is coming to terms with its new role, which is to meet the needs of the present generation without compromising the ability of the next generation. Businesses are slowly but surely assuming responsibilities for the ways their operations impact society and the natural environment. The aim of all business is to improve the quality of life and build leadership that will generate a sense of trust among people. CSR represents the human face of the highly competitive world of commerce. Perception of this human face is a vital and necessary part of society's willingness to accept the significant and sometimes (at least in the short-term) difficult changes brought about by elements of globalization. If international companies set policies, however well intentioned, from remote corporate headquarters without also fostering partnerships and local involvement in the communities in which they do business, they are likely to fuel feelings of alienation and suspicion. Business today simply cannot afford such alienation since those very communities are vital to a company's continued commercial success. Business needs a stable social environment that provides a predictable climate for investment and trade. CSR is the means by which business contributes to that stability rather than detracting from it. By establishing and maintaining a corporate agenda

which recognizes social priorities and is tailored to meet them, business displays its human face to consumers, communities and opinion leaders. Training, the transfer of skills and expertise, new technological solutions, contracting of services, helpful infrastructure development, as well as community social and health programs and a clear commitment to human rights can all demonstrate the will to be a good local citizen and to help create sustainable livelihoods. By their social contribution, companies show the human face of globalization and reduce fears about the negative impacts of international business on local life. For any company, giving a high priority to CSR is no longer seen to represent an unproductive cost or resource burden, but, increasingly, as a means of enhancing reputation and credibility among stakeholders – something on which success or even survival may depend. Understanding and taking account of society's expectations is quite simply enlightened self-interest for business in today's interdependent world. Identifying the enterprise as the focus of corporate responsibility begs the question as to how the companies should exhibit responsibility. Manne and Wallich (1972) said that corporate responsibility refers to actions for which the company is under no legal compulsion

## Literature Review

Matten, 2003).

### 2.2.3 Global Level: CSR as Sustainable Development

The latest literature tradition to have impacted our understanding of corporate social responsibility is that of sustainable development. It was the Brundtland Commission (1987) that for the first time systematically emphasized the link between poverty, environmental degradation, and economic development. Its definition of sustainable development, as meeting the needs of the present, without compromising the ability of future generations to meet theirs, extends the responsibility of firms both interand intra-generationally. Thus firms are expected to also consider traditionally unrepresented stakeholders such as the environment and as well as future generations. Although many CSR authors have taken up the notion of a "triple bottom line" (Elkington, 1997) there remain important tensions between the CSR and the sustainable development debate (i.e. Dyllick & Hockerts, 2002)

Galbraith (1977) says the 'customer is the king' is no more than a myth. He maintains that the modern organisation exercises power to the extent of shaping tastes of consumers to its products. But this power is often buried down to leave nobler causes to surface.

Andriof et al (2002), today's shareholder thinking concerns the interactive, mutually engaged and responsive relationships that 'establish the very context of doing business and create the groundwork for transparency and accountability'.

Freeman (1984) presented a more positive view of managers' support of CSR. Freeman's stakeholder theory asserts that managers must satisfy a variety of constituents (eg., employees, customers, suppliers and local community) who can influence the firm outcomes.

## Research Methodology

The Period of the study ranges from 2012 to 2017. *Variables employed in the Study*

CSR%, industrial sub-sectors CSR%, manufacturing sector, service sector CSR%, Company Act 2013

### Sampling method

Purposive sampling was undertaken for the research study. The data collection frequency for all the variables included in the study were annual CSR disclosures, annual CSR ratings and ranks, company's director reports, CSR reports and actual CSR data.

### Sample size

Companies from India were considered to provide substantial data. For the financial years 2012-2017, the Corporate Social Responsibility of companies were considered for the pre and post-effect of Companies Act 2013, the Corporate Social Responsibility of 75 companies was considered

### Scope of the study

The study was limited to the Indian companies. This study entirely relies on the secondary data collected from various sources. The secondary data was used from financial reports of the companies of the years 2012-2017 Extensive library work was carried out for a detailed review of the literature. Data from the internet, books, academic journals, newspapers and magazines was also used.

### Objective :

- To appraise the policies of corporate social responsibility and its implication in India.

**Hypothesis 1.2: Companies were spending significantly lower in Corporate Social Responsibility than the prescribed amount for the financial year 2013-14.**

‘Companies were spending significantly lower in Corporate Social Responsibility than the prescribed amount for the financial year 2013-14’ was confirmed. A repeated measures t-test was conducted to compare the means of Prescribed Corporate Social Responsibility amount and Actual Corporate Social Responsibility of 81 companies for the financial year 2013-14. The mean of Prescribed Corporate Social Responsibility amount of companies (M=91.39, SD=116.30) was found to be significantly higher than the mean of Actual Corporate Social Responsibility amount (M=55.21, SD=104.82). The results of the repeated measures t-test were expressed as  $t(80) = -4.93, p=.00$  (one-tailed). The results showed that these companies were spending significantly lower in Corporate Social Responsibility than the prescribed amount.

The corporate social responsibility (CSR) movement began as a response to advocacy for corporations to play a role ameliorating social problems due to their economic power and overarching presence in daily life. The movement was then transitioning from its reliance on purely voluntary activity to the greater usage of laws. The push for legalization came because voluntary CSR presented problems such as free-riding (companies taking advantage of benefits without actually spending), greenwashing posing as CSR, and false disclosures.

S.No	Companies	Actual	Prescribed
1	Reliance Industries Ltd.	712	532.34
2	Oil & Natural Gas Corporation Ltd.	420.1	639.86
3	Coal India Ltd.	409.37	229.06
4	Tata Steel Ltd.	212	184.75
5	ICICI Bank Ltd.	164	227.78
6	NMDC Ltd.	152.85	199.93
7	State Bank of India	148.93	369.59
8	Infosys Ltd.	143	249.15
9	NTPC Ltd.	128.35	312.25
10	Wipro Ltd.	128.3	151.55

Despite the enactment of Companies Act 2013 which came into force in April 2014, Indian companies spent significantly lower in Corporate Social Responsibility for the FY 2013-14. Although they anticipated a change in their CSR activities, the companies were not armed with structured CSR policies, CSR committees, etc to guide the smooth transition from the zero/few CSR activities to CSR compliance.

A few additional observations can be noted:

the top 10 CSR ranks for FY 2013-14 with Reliance Industries Ltd. heading the list has spent more than the prescribed amount on CSR besides Coal India Ltd. and Tata Steel Ltd. While the remaining companies inspite of being the top spenders towards CSR have not been able to spend the prescribed CSR amount for FY 2013-14.

### **Highlights of CSR Spend in FY 2013-14**

1. The actual CSR spent for FY 2013-14 was Rs. 4472.34 as against the prescribed amount of Rs. 7402.59 Crore
2. The manufacturing sector spent Rs. 3317.58 crore as against the prescribed amount of Rs. 4419.22 crore.
3. The service sector spent Rs. 1154.76 crore as against the prescribed amount of Rs. 2983.37 crore.
4. The public sector spent Rs. 2146.71 crore as against the prescribed amount of Rs. 3884.64 crore.
5. The private sector spent Rs. 2325.63 crore as against the prescribed amount of Rs. 3517.95 crore.
6. Eleven companies spent more than the 2% prescribed amount on CSR namely Reliance Industries Ltd., Tata Motors Ltd., Tata Steel Ltd., Coal India Ltd., Vedanta Ltd., Petronet LNG Ltd., Jai Prakash Association Ltd., Jindal Steel and Power, Tech Mahindra Ltd., ACC Ltd., MMTC Ltd.
7. Out of the eleven companies, ten companies were from the manufacturing sector and one was from the service sector.
8. Out of the eleven companies, nine companies were from the private sector and two were from the public sector.
9. Twenty-six companies spent more than 1% of the prescribed CSR.
10. Forty-four companies spent less than 1% of the prescribed CSR.
11. 86.42% (70/81) could not meet the CSR compliance.
12. Almost seventy companies preferred health and wellness for the CSR projects.
13. Sixty-five companies preferred education for their CSR projects.
14. Reliance Industries Ltd. and Coal India had spent more than 2% of the prescribed amount.
15. Oil and Natural Gas Corporation had been among the top 10 spenders but has spent less than 2% of the prescribed amount.
16. The public sector companies spent more than the prescribed amount in the manufacturing sector.
17. The private sector companies spent more than the prescribed amount in the service sector.
18. The manufacturing sector companies spent more than the service sector.
19. States like Maharashtra and Gujarat from the Western Zone had significant projects.
20. In the South Zone, Karnataka and Tamil Nadu had highest projects.

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